

FINANCIAL STATEMENTS
TOWNSHIP OF SULLIVAN
MUSKEGON COUNTY, MICHIGAN
MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name SULLIVAN TOWNSHIP	County MUSKEGON
Audit Date 3/31/04	Opinion Date 5/19/05	Date Accountant Report Submitted to State: 5/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) RICHARD B. PARKER, CPA, PC			
Street Address 2264 EAST MEINERT		City HOLTON	State MI
Accountant Signature <i>Richard B. Parker</i>		ZIP 49425	Date 5/27/05

SULLIVAN TOWNSHIP
Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues and Expenditures and Changes in Fund Balance - All Governmental Fund Types	3
Combined Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - General and Special Revenue Fund Types	4
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS	5-11
SUPPLEMENTARY AND STATISTICAL DATA:	
GOVERNMENTAL FUNDS:	
General Fund:	
Statement of Revenues - Budget and Actual	12
Statement of Expenditures - Budget and Actual	13-14
SPECIAL REVENUE FUNDS:	
Combining Balance Sheet	15
Combining Statement of Revenues and Expenditures and Changes in Fund Balance	16
Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual:	
Building Operation and Maintenance Fund	17
Cemetery Fund	18
Forestry Fund	19
Highway Improvement Fund	20
Parks and Recreation Fund	21
Street Light Fund	22
FIDUCIARY FUNDS:	
Combining Statement of Changes in Assets and Liabilities	23
MISCELLANEOUS:	
Changes in General Fixed Assets	24

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Honorable Supervisor and Members
of the Township Board
Township of Sullivan
Muskegon County, Michigan

Independent Auditor's Report

I have audited the general purpose financial statements of the various funds and account groups of the Township of Sullivan, Muskegon County, Michigan as of March 31, 2004 as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 4 to the general purpose financial statements, the assets in the General Fixed Assets Account Group acquired prior to March 25, 1971 are carried at amounts which generally approximate cost. Due to the lack of available records, the Township is not able to determine actual, historical cost of the affected assets.

In my opinion, subject to the effect the matter described in the preceding paragraph may have on the financial statement of the General Fixed Assets Account Group, the aforementioned general purpose financial statements present fairly, in all material respects, the financial position of the Township of Sullivan, Muskegon County, Michigan at March 31, 2004, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary and statistical data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Sullivan, Muskegon County, Michigan. The supplementary and statistical data have been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, are stated fairly in all material respects in relation to the general purpose financial statements taken as a whole.

Richard B. Parker

Certified Public Accountant

Holton, Michigan
May 19, 2005

SULLIVAN TOWNSHIP
Combined Balance Sheet
ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$443,524	\$122,497
Taxes receivable	6,749	74
Accounts receivable	23,313	-
Due from other fund	-	-
Prepaid expenses	12,885	-
Property, plant and equipment	-	-
	<u>\$486,471</u>	<u>\$122,571</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Cash overdraft	\$ -	\$ 5,572
Accounts payable	-	-
Due to other fund	-	2,000
Accrued liabilities	244	-
Rent deposits	-	-
Investment in general fixed assets	-	-
Fund balance	<u>486,227</u>	<u>114,999</u>
	<u>\$486,471</u>	<u>\$122,571</u>

The notes to the general purpose financial statements are an integral part of this statement.

<u>Fiduciary Fund Type</u> <u>Agency Fund</u>	<u>Account Groups</u> <u>General Fixed</u> <u>Assets</u>	<u>TOTAL</u> <u>(memorandum</u> <u>only)</u>
\$ 450	\$ -	\$566,471
-	-	6,823
-	-	23,313
2,000	-	2,000
-	-	12,885
<u>-</u>	<u>377,207</u>	<u>377,207</u>
<u>\$2,450</u>	<u>\$377,207</u>	<u>\$988,699</u>

\$ -	\$ -	\$ 5,572
2,000	-	2,000
-	-	2,000
-	-	244
450	-	450
-	377,207	377,207
<u>-</u>	<u>-</u>	<u>601,226</u>
<u>\$2,450</u>	<u>\$377,207</u>	<u>\$988,699</u>

SULLIVAN TOWNSHIP
Combined Statement of Revenues and Expenditures and Changes in Fund Balance
ALL GOVERNMENTAL FUND TYPES
For the Year Ended March 31, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>TOTAL (memorandum only)</u>
REVENUES:			
Taxes	\$ 50,701	\$ 2,117	\$ 52,818
Licenses and permits	8,694	-	8,694
State grants	198,179	-	198,179
Charges for services	15,504	-	15,504
Zoning administration	1,350	-	1,350
Interest earned	14,079	122	14,201
Rents and royalties	-	1,800	1,800
Other revenue	336	6,000	6,336
TOTAL REVENUE	<u>288,843</u>	<u>10,039</u>	<u>298,882</u>
EXPENDITURES:			
Legislative	20,391	-	20,391
General government	80,546	26,611	107,157
Public safety	56,580	11,966	68,546
Public works	3,547	-	3,547
Recreation and culture	-	3,448	3,448
Other functions	7,558	-	7,558
Capital outlay	-	31,175	31,175
TOTAL EXPENDITURES	<u>168,622</u>	<u>73,200</u>	<u>241,822</u>
	<u>120,221</u>	<u>(63,161)</u>	<u>57,060</u>
OTHER FINANCING SOURCES (USES):			
Transfer from other funds	-	35,000	35,000
Transfer to other funds	(35,000)	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(35,000)</u>	<u>35,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	85,221	(28,161)	57,060
FUND BALANCE - APRIL 1, 2003	<u>401,006</u>	<u>143,160</u>	<u>544,166</u>
FUND BALANCE - MARCH 31, 2004	<u>\$486,227</u>	<u>\$114,999</u>	<u>\$601,226</u>

The notes to the general purpose financial statements are an integral part of this statement.

SULLIVAN TOWNSHIP
Combined Statement of Revenues and Expenditures and Changes in Fund Balance -
Budget and Actual
GENERAL AND SPECIAL REVENUE FUND TYPES
For the Year Ended March 31, 2004

	<u>GENERAL</u>		
	<u>Budget</u>	<u>Actual</u>	Variance - favorable (unfavorable)
REVENUES:			
Taxes	\$ 46,000	\$ 50,701	\$ 4,701
Licenses and permits	8,271	8,694	423
State grants	185,717	198,179	12,462
Charges for services	13,800	15,504	1,704
Zoning administration	750	1,350	600
Interest earned	1,500	14,079	12,579
Rent and royalties	-	-	-
Other revenue	<u>135</u>	<u>336</u>	<u>201</u>
TOTAL REVENUE	<u>256,173</u>	<u>288,843</u>	<u>32,670</u>
EXPENDITURES:			
Legislative	26,530	20,391	6,139
General government	77,400	80,546	(3,146)
Public safety	59,250	56,580	2,670
Public works	4,160	3,547	613
Recreation and culture	7,600	7,558	42
Other functions	-	-	-
Capital outlay	<u>14,800</u>	<u>-</u>	<u>14,800</u>
TOTAL EXPENDITURES	<u>189,740</u>	<u>168,622</u>	<u>21,118</u>
	<u>66,433</u>	<u>120,221</u>	<u>53,788</u>
OTHER FINANCING SOURCES (USES):			
Transfer from other funds	-	-	-
Transfer to other funds	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	31,433	85,221	53,788
FUND BALANCE - APRIL 1, 2003	<u>401,006</u>	<u>401,006</u>	<u>-</u>
FUND BALANCE - MARCH 31, 2004	<u>\$432,439</u>	<u>\$486,227</u>	<u>\$53,788</u>

The notes to the general purpose financial statements are an integral part of this statement.

SPECIAL REVENUE

<u>Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
\$ 3,400	\$ 2,117	\$(1,283)
-	-	-
-	-	-
-	-	-
-	122	122
1,500	1,800	300
<u>53,100</u>	<u>6,000</u>	<u>(47,100)</u>
<u>58,000</u>	<u>10,039</u>	<u>(47,961)</u>
-	-	-
29,730	26,611	3,119
-	-	-
49,600	11,966	37,634
4,850	3,448	1,402
-	-	-
<u>39,000</u>	<u>31,175</u>	<u>7,825</u>
<u>123,180</u>	<u>73,200</u>	<u>49,980</u>
<u>(65,180)</u>	<u>(63,161)</u>	<u>2,019</u>
35,000	35,000	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>35,000</u>	<u>35,000</u>	<u>-</u>
(30,180)	(28,161)	2,019
<u>143,160</u>	<u>143,160</u>	<u>-</u>
<u>\$112,980</u>	<u>\$114,999</u>	<u>\$ 2,019</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Sullivan Township relating to the funds and account groups included in the accompanying combined financial statements conform to U.S. generally accepted accounting principles applicable to state and local governments. The following is a summary of the more significant of such policies:

(a) Reporting Entity

The Township's general purpose financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability. Financial Accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The Township's general purpose financial statements do not include the operations of other governments or various local agencies for which grants and fundings are issued by the Township, because none of the criteria for inclusion as set forth in GASB No. 14 have been met.

(b) Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the Township:

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the Township are financed. The acquisition, use, and balances of the Township's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the Township's governmental fund types.

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIDUCIARY FUND TYPES

Trust and Agency Fund - The Trust and Agency Fund is utilized to account for assets held by the Township in a trustee or custodial capacity for individuals and other entities.

ACCOUNT GROUPS

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized. Such assets normally are immovable and of value only to the Township. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets. No depreciation has been provided on general fixed assets.

Assets purchased are recorded as expenditures in the governmental funds and, as discussed in Note 4, subsequent to March 25, 1971 were capitalized at cost in the general fixed assets account group.

Long term liabilities expected to be financed from governmental funds, if any, are accounted for in the General Long Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long term amounts are not recognized as governmental fund type expenditures or fund liabilities. They would instead be reported as liabilities in the General Long Term Debt Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund types (General Fund and Special Revenue Funds) use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Even though the Fiduciary Fund Type (Agency Funds) does not involve the measurement of operations, the modified accrual basis of accounting is followed for recognizing assets and liabilities. Their revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or seen enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

(d) Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Township board reviews a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township hall to obtain taxpayer comments.
3. At the first regular meeting, after March 31, the budget is legally adopted.
4. Formal budgetary integration is not employed for any fund. However, informational summaries are prepared for all funds to serve as a management tool and are presented to the Township board for consideration. The budget may be amended only by the Township Board.
5. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with U.S. generally accepted accounting principles to the activity level.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property Taxes

Property taxes attach as enforceable liens on property as of December 31. Taxes are levied on December 1 of the following year and are payable from the date of levy through February 28. Taxes levied December 1 are recognized as revenue when they become available for appropriation, which is the fiscal year during which they are levied. The Township bills and collects its own property taxes.

(f) Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments, if any, with original maturities of three months or less from date of acquisition.

(g) Total (memorandum only)

The total columns presented in the combined financial statements are the aggregate of the fund types and account groups. No consolidating or other eliminations were made in arriving at the totals; thus they do not present consolidated information.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Cash deposits of the Township are at Fifth Third Bank, National City Bank and Comerica Bank in the name of the Township. Act 217, PA 1982, authorizes the Township to deposit and invest in the accounts of Federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, security bonds, or other forms for the deposit of public money.

The Township's deposits are in accordance with statutory authority.

The risk disclosures for the Township's cash deposits, as required by GASB Statement 3, are as follows:

SULLIVAN TOWNSHIP
Notes to General Purpose Financial Statements
March 31, 2004

Page 5

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits - Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as "cash and cash equivalents".

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$300,000	\$300,000
Uninsured and uncollateralized	<u>260,899</u>	<u>570,620</u>
	<u>\$560,899</u>	<u>\$870,620</u>

NOTE 3 - PROPERTY TAXES

The Township's ad valorem property tax is levied each December 1 on the taxable value listed as of the prior December 31 for all real and business personal property located in the Township. The taxable value of the roll on December 31, 2002, upon which the levy for the 2003 fiscal year was based, was \$47,001,063 (the state equalized value was approximately \$60,026,000).

The tax rates assessed for the year ended March 31, 2004 were as follows:

	<u>Millage Rate</u>
General Fund	<u>1.0802</u>

Taxes are due on December 1 and become delinquent by February 28 following the December 1 levy date. Current tax collections for the year ended March 31, 2004 were 89% of the tax levy.

At March 31, 2004 the components of delinquent taxes receivable are as follows:

General Fund	\$6,749
Street Light Fund	<u>74</u>
	<u>\$6,823</u>

SULLIVAN TOWNSHIP
Notes to General Purpose Financial Statements
March 31, 2004

Page 6

NOTE 4 - FIXED ASSETS

The General Fixed Assets Account Group was established in 1971 at amounts which generally approximate cost. Due to a lack of available records, the Township was not able to determine actual historical cost of the affected assets. A summary of changes in general fixed assets follows:

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
Land	\$ 69,854	\$ -	\$ -	\$ 69,854
Buildings	266,114	-	-	266,114
Furniture and equipment	41,239	-	-	41,239
	<u>\$377,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$377,207</u>

NOTE 5 - RETIREMENT PLAN

The Township's retirement plan is administered by Manufacturers Life Insurance Company. It is a defined contribution retirement plan which provides retirement benefits for elected officials and full time employees. The Township contributed varying amounts based on each employees annual salary. The amount contributed by the Township for the year ended March 31, 2004 was \$4,063. The amount contributed by the employees amounted to \$3,230. Total Township payroll for the year was \$59,104 including approximately \$47,600 payroll covered by the plan. Employees become 100% vested in the Township's contributions immediately.

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 7 - COMMON BANK ACCOUNT

The cash equity of each fund in the common bank account at March 31, 2004 is as follows:

<u>Fund</u>	<u>Balance</u>
General	\$ 40,458
Highway	55,048
Cemetery	7,589
Street Light	5,826
Forestry	28,350
Building Operation	6,196
Parks and Recreation	
(unauthorized interfund loan)	(5,572)
	<u>\$137,895</u>

SULLIVAN TOWNSHIP
Notes to General Purpose Financial Statements
March 31, 2004

Page 7

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of individual fund interfund receivable and payable balance at March 31, 2004.

<u>Fund</u>	<u>Interfund</u>	<u>Fund</u>	<u>Interfund</u>
<u>Trust & Agency</u>	<u>Receivable</u>	<u>Highway</u>	<u>Payable</u>
	<u>\$2,000</u>		<u>\$2,000</u>

NOTE 9 - DEFICIT FUND BALANCE

At March 31, 2004 the Parks and Recreation Fund had a deficit fund balance of \$5,572.

NOTE 10- NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year ending March 31, 2005. The Township has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

NOTE 11- OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

U.S. generally accepted accounting principles require disclosure, as part of the Combined Statements - Overview, of certain information concerning individual funds including:

- (a) Segment information for certain Enterprise Funds. The Township has no Enterprise Funds.
- (b) Summary disclosures of debt service requirement to maturity for all types of outstanding debt. There was no long term debt at March 31, 2004.
- (c) Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by Note 4.
- (d) Summary disclosures of changes in general long term debt. There was no general long term debt at March 31, 2004.
- (e) Excesses of expenditures over appropriations in individual funds. There were no excesses of expenditures over appropriations of a material amount.
- (f) Deficit fund balances or retained earnings of individual funds. This requirement is met by Note 9.
- (g) Individual fund interfund receivable and payable balances. This requirement is met by Note 8.

SULLIVAN TOWNSHIP
Statement of Revenues - Budget and Actual
GENERAL FUND
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - favorable (unfavorable)
TAXES:			
Property taxes	\$ 46,000	\$ 50,701	\$ 4,701
LICENSES AND PERMITS	<u>8,271</u>	<u>8,694</u>	<u>423</u>
STATE GRANTS:			
State shared revenue	<u>185,717</u>	<u>198,179</u>	<u>12,462</u>
CHARGES FOR SERVICES:			
Administration fees	13,800	12,459	(1,341)
Summer tax collection reimbursement	<u>-</u>	<u>3,045</u>	<u>3,045</u>
	<u>13,800</u>	<u>15,504</u>	<u>1,704</u>
ZONING ADMINISTRATION	<u>750</u>	<u>1,350</u>	<u>600</u>
INTEREST INCOME	<u>1,500</u>	<u>14,079</u>	<u>12,579</u>
OTHER REVENUE:			
Miscellaneous	<u>135</u>	<u>336</u>	<u>201</u>
TOTAL REVENUES	<u>\$256,173</u>	<u>\$288,843</u>	<u>\$32,670</u>

SULLIVAN TOWNSHIP
Statement of Expenditures - Budget and Actual
GENERAL FUND
For the Year Ended March 31, 2004

Page 1

	Budget	Actual	Variance - favorable (unfavorable)
LEGISLATIVE:			
Salaries	\$ 2,000	\$ 1,380	\$ 620
Professional services	9,780	4,598	5,182
Pride week	8,000	5,802	2,198
Printing and publishing	1,000	914	86
Dues	3,600	4,053	(453)
Transportation	150	-	150
Miscellaneous	<u>2,000</u>	<u>3,644</u>	<u>(1,644)</u>
TOTAL LEGISLATIVE	<u>26,530</u>	<u>20,391</u>	<u>6,139</u>
GENERAL GOVERNMENT:			
SUPERVISOR -			
Salary	8,600	8,600	-
Transportation	<u>150</u>	<u>72</u>	<u>78</u>
	<u>8,750</u>	<u>8,672</u>	<u>78</u>
ELECTIONS -			
Salary	<u>500</u>	<u>-</u>	<u>500</u>
ASSESSOR -			
Professional services	18,250	18,563	(313)
Supplies	-	3,050	(3,050)
Miscellaneous	<u>50</u>	<u>1,147</u>	<u>(1,097)</u>
	<u>18,300</u>	<u>22,760</u>	<u>(4,460)</u>
CLERK -			
Salaries	8,700	8,600	100
Transportation	<u>500</u>	<u>429</u>	<u>71</u>
	<u>9,200</u>	<u>9,029</u>	<u>171</u>
BOARD OF REVIEW -			
Salaries	<u>500</u>	<u>427</u>	<u>73</u>
TREASURER -			
Salaries	8,700	8,600	100
Transportation	<u>1,200</u>	<u>738</u>	<u>462</u>
	<u>9,900</u>	<u>9,338</u>	<u>562</u>
GENERAL ADMINISTRATION -			
Salaries	22,500	21,833	667
Transportation	150	9	141
Office expense	5,000	4,466	534
Data processing	600	-	600
Telephone	1,500	1,485	15
Miscellaneous	<u>500</u>	<u>2,527</u>	<u>(2,027)</u>
	<u>30,250</u>	<u>30,320</u>	<u>(70)</u>
TOTAL GENERAL GOVERNMENT	<u>77,400</u>	<u>80,546</u>	<u>(3,146)</u>

SULLIVAN TOWNSHIP
Statement of Expenditures - Budget and Actual
GENERAL FUND
For the Year Ended March 31, 2004

Page 2

	<u>Amended Budget</u>	<u>Actual</u>	Variance - favorable (unfavorable)
PUBLIC SAFETY:			
FIRE -			
Contracted services	\$ 52,000	\$ 51,150	\$ 850
POLICE	500	990	(490)
INSPECTION DEPARTMENT -			
Salaries	3,500	2,580	920
PLANNING COMMISSION -			
Salaries	2,500	1,660	840
ZONING BOARD -			
Salaries	750	200	550
TOTAL PUBLIC SAFETY	59,250	56,580	2,670
PUBLIC WORKS:			
STREET LIGHTING -			
Utilities	4,160	3,547	613
TOTAL PUBLIC WORKS	4,160	3,547	613
OTHER FUNCTIONS:			
Pension	4,500	4,063	437
Insurance and bonds	2,000	1,879	121
Payroll taxes	1,100	1,616	(516)
TOTAL OTHER FUNCTIONS	7,600	7,558	42
CAPITAL OUTLAY	14,800	-	14,800
TOTAL EXPENDITURES	<u>\$189,740</u>	<u>\$168,622</u>	<u>\$21,118</u>

SULLIVAN TOWNSHIP
Combining Balance Sheet
SPECIAL REVENUE FUNDS
March 31, 2004

<u>ASSETS</u>	<u>Building Operation and Maintenance</u>	<u>Cemetery</u>	<u>Forestry</u>	<u>Highway Improvement</u>
Cash and cash equivalents	\$23,639	\$7,589	\$28,350	\$55,048
Taxes receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$23,639</u>	<u>\$7,589</u>	<u>\$28,350</u>	<u>\$55,048</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Due to other fund	-	-	-	2,000
Fund Balance	<u>23,639</u>	<u>7,589</u>	<u>28,350</u>	<u>53,048</u>
	<u>\$23,639</u>	<u>\$7,589</u>	<u>\$28,350</u>	<u>\$55,048</u>

<u>Parks and Recreation</u>	<u>Street Light</u>	<u>TOTAL (memorandum only)</u>
-------------------------------------	-------------------------	--

\$ -	\$7,871	\$122,497
<u>-</u>	<u>74</u>	<u>74</u>

<u>\$ -</u>	<u>\$7,945</u>	<u>\$122,571</u>
-------------	----------------	------------------

\$ 5,572	\$ -	\$ 5,572
-	-	2,000
<u>(5,572)</u>	<u>7,945</u>	<u>114,999</u>

<u>\$ -</u>	<u>\$7,945</u>	<u>\$122,571</u>
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SULLIVAN TOWNSHIP
Combining Statement of Revenues and Expenditures and Changes in Fund Balance
SPECIAL REVENUE FUNDS
For the Year Ended March 31, 2004

	Building Operation and Maintenance	Cemetery	Forestry	Highway Improvement
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Rents	1,800	-	-	-
Interest earned	122	-	-	-
Sales	-	1,250	4,000	-
Other revenue	-	750	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>1,922</u>	<u>2,000</u>	<u>4,000</u>	<u>-</u>
EXPENDITURES:				
General government	19,227	7,384	-	-
Public works	-	-	1,075	7,790
Recreation and culture	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>19,227</u>	<u>7,384</u>	<u>1,075</u>	<u>7,790</u>
	<u>(17,305)</u>	<u>(5,384)</u>	<u>2,925</u>	<u>(7,790)</u>
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	20,000	-	-	-
Transfer to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,695	(5,384)	2,925	(7,790)
FUND BALANCE - APRIL 1, 2003	<u>20,944</u>	<u>12,973</u>	<u>25,425</u>	<u>60,838</u>
FUND BALANCE (DEFICIT) - MARCH 31, 2004	<u>\$23,639</u>	<u>\$ 7,589</u>	<u>\$28,350</u>	<u>\$53,048</u>

<u>Parks And Recreation</u>	<u>Street Light</u>	<u>TOTAL (memorandum only)</u>
\$ -	\$2,117	\$ 2,117
-	-	1,800
-	-	122
-	-	5,250
-	-	750
<u>-</u>	<u>2,117</u>	<u>10,039</u>
-	-	26,611
-	3,101	11,966
<u>34,623</u>	<u>-</u>	<u>34,623</u>
<u>34,623</u>	<u>3,101</u>	<u>73,200</u>
<u>(34,623)</u>	<u>(984)</u>	<u>(63,161)</u>
15,000	-	35,000
<u>-</u>	<u>-</u>	<u>-</u>
<u>15,000</u>	<u>-</u>	<u>35,000</u>
(19,623)	(984)	(28,161)
<u>14,051</u>	<u>8,929</u>	<u>143,160</u>
<u>\$(5,572)</u>	<u>\$7,945</u>	<u>\$114,999</u>

SULLIVAN TOWNSHIP
Statement of Revenues and Expenditures and Changes in Fund Balance -
Budget and Actual
BUILDING OPERATION AND MAINTENANCE FUND
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - favorable (unfavorable)
REVENUE:			
Rents	\$ 1,500	\$ 1,800	\$ 300
Interest earned	<u>-</u>	<u>122</u>	<u>122</u>
TOTAL REVENUES	<u>1,500</u>	<u>1,922</u>	<u>422</u>
EXPENDITURES:			
Salaries and wages	3,000	3,317	(317)
Utilities	8,280	5,857	2,423
Repairs and maintenance	2,500	1,706	794
Snowplowing/lot repairs	1,500	1,000	500
Insurance	4,500	6,222	(1,722)
Capital outlay	2,500	-	2,500
Supplies	1,500	1,125	375
Miscellaneous	<u>250</u>	<u>-</u>	<u>250</u>
TOTAL EXPENDITURES	<u>24,030</u>	<u>19,227</u>	<u>4,803</u>
	(22,530)	(17,305)	5,225
OTHER FINANCING SOURCES (USES):			
Transfer from other fund	<u>20,000</u>	<u>20,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(2,530)	2,695	5,225
FUND BALANCE - APRIL 1, 2003	<u>20,944</u>	<u>20,944</u>	<u>-</u>
FUND BALANCE - MARCH 31, 2004	<u>\$18,414</u>	<u>\$23,639</u>	<u>\$5,225</u>

SULLIVAN TOWNSHIP
Statement of Revenues and Expenditures and Changes in Fund Balance -
Budget and Actual
CEMETERY FUND
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - favorable (unfavorable)
REVENUES:			
Sale of lots	\$ 1,000	\$ 1,250	\$ 250
Other revenue	<u>1,100</u>	<u>750</u>	<u>(350)</u>
TOTAL REVENUES	<u>2,100</u>	<u>2,000</u>	<u>(100)</u>
EXPENDITURES:			
Sexton	1,400	1,400	-
Salaries and wages	1,500	1,320	180
Repairs and maintenance	2,000	4,143	(2,143)
Supplies	50	110	(60)
Utilities	500	326	174
Miscellaneous	<u>250</u>	<u>85</u>	<u>165</u>
TOTAL EXPENDITURES	<u>5,700</u>	<u>7,384</u>	<u>(1,684)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,600)	(5,384)	(1,784)
FUND BALANCE - APRIL 1, 2003	<u>12,973</u>	<u>12,973</u>	-
FUND BALANCE - MARCH 31, 2004	<u>\$ 9,373</u>	<u>\$ 7,589</u>	<u>\$(1,784)</u>

SULLIVAN TOWNSHIP
Statement of Revenues and Expenditures and Changes in Fund Balance -
Budget and Actual
FORESTRY FUND
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - favorable (unfavorable)
REVENUES:			
Sale of timber	\$36,000	\$ 4,000	\$(32,000)
EXPENDITURES	<u>15,000</u>	<u>1,075</u>	<u>13,925</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,000	2,925	(18,075)
FUND BALANCE - APRIL 1, 2003	<u>25,425</u>	<u>25,425</u>	<u>-</u>
FUND BALANCE - MARCH 31, 2004	<u>\$46,425</u>	<u>\$28,350</u>	<u>\$(18,075)</u>

SULLIVAN TOWNSHIP
Statement of Revenues and Expenditures and Changes in Fund Balance -
Budget and Actual
HIGHWAY IMPROVEMENT FUND
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
TOTAL REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:			
Road improvements and maintenance	31,000	7,790	23,210
Miscellaneous	<u>100</u>	<u>-</u>	<u>100</u>
TOTAL EXPENDITURES	<u>31,100</u>	<u>7,790</u>	<u>23,310</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(31,100)	(7,790)	23,310
FUND BALANCE - APRIL 1, 2003	<u>60,838</u>	<u>60,838</u>	<u>-</u>
FUND BALANCE - MARCH 31, 2004	<u>\$29,738</u>	<u>\$53,048</u>	<u>\$23,310</u>

SULLIVAN TOWNSHIP
Statement of Revenues and Expenditures and Changes in Fund Balance -
Budget and Actual
PARKS AND RECREATION FUND
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
REVENUES	<u>\$15,000</u>	<u>\$ -</u>	<u>\$(15,000)</u>
TOTAL REVENUE	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
EXPENDITURES:			
Salaries and wages	1,500	1,209	291
Supplies	500	1,435	(935)
Repairs and maintenance	2,000	358	1,642
Utilities	600	446	154
Capital outlay	39,000	31,175	7,825
Miscellaneous	<u>250</u>	<u>-</u>	<u>250</u>
TOTAL EXPENDITURES	<u>43,850</u>	<u>34,623</u>	<u>9,227</u>
	(28,850)	(34,623)	(5,773)
OTHER FINANCING SOURCES (USES):			
Transfer from other fund	<u>15,000</u>	<u>15,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(13,850)	(19,623)	(5,773)
FUND BALANCE - APRIL 1, 2003	<u>14,051</u>	<u>14,051</u>	<u>-</u>
FUND BALANCE (DEFICIT) - MARCH 31, 2004	<u>\$ 201</u>	<u>\$(5,572)</u>	<u>\$(5,773)</u>

SULLIVAN TOWNSHIP
Statement of Revenues and Expenditures and Changes in Fund Balance -
Budget and Actual
STREET LIGHT FUND
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - favorable (unfavorable)
REVENUES:			
Property taxes	\$3,400	\$2,117	\$(1,283)
EXPENDITURES:			
Utilities	<u>3,500</u>	<u>3,101</u>	<u>399</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(100)	(984)	(884)
FUND BALANCE - APRIL 1, 2003	<u>8,929</u>	<u>8,929</u>	<u>-</u>
FUND BALANCE - MARCH 31, 2004	<u>\$8,829</u>	<u>\$7,945</u>	<u>\$(- 884)</u>

SULLIVAN TOWNSHIP
Combining Statement of Changes in Assets and Liabilities
ALL AGENCY FUNDS
For the Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
<u>ASSETS</u>				
Cash - rent and other deposits	\$ 618	\$ 3,764	\$ 3,932	\$ 450
Cash - taxes	-	1,143,213	1,143,213	-
Due from other funds	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
	<u>\$2,618</u>	<u>\$1,146,977</u>	<u>\$1,147,145</u>	<u>\$2,450</u>

<u>LIABILITIES</u>				
Accounts payable	\$2,018	\$ 8,206	\$ 8,224	\$2,000
Rent deposits	600	1,200	1,350	450
Due to other funds	-	59,713	59,713	-
Due to schools	-	477,989	477,989	-
Due to county	<u>-</u>	<u>599,869</u>	<u>599,869</u>	<u>-</u>
	<u>\$2,618</u>	<u>\$1,146,977</u>	<u>\$1,147,145</u>	<u>\$2,450</u>

SULLIVAN TOWNSHIP
Changes in General Fixed Assets
GENERAL FIXED ASSETS ACCOUNT GROUP
For the Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
Vacant land	\$ 69,854	\$ -	\$ -	\$ 69,854
Land improvements	6,710	-	-	6,710
Township hall - building	245,423	-	-	245,423
Fence	2,500	-	-	2,500
Cemetery -				
Building	2,000	-	-	2,000
Equipment	3,250	-	-	3,250
Sprinkling system	1,045	-	-	1,045
Fence	7,510	-	-	7,510
Voting machines	3,825	-	-	3,825
Township hall equipment	18,034	-	-	18,034
Parks and playground equipment	5,075	-	-	5,075
Park building	7,781	-	-	7,781
Other building	4,200	-	-	4,200
	<u>\$377,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$377,207</u>

RICHARD B. PARKER, CPA, PC
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HOLTON, MICHIGAN 49425
(616) 893-3178

Honorable Supervisor and Members
of the Township Board
Sullivan Township, Michigan

In planning and performing my audit of the general purpose financial statements of the Township of Sullivan, Muskegon County, Michigan, for the year ended March 31, 2004, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control. However, I noted certain matters involving the internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control that, in my judgment, could adversely affect the Township of Sullivan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The matters noted are only those that came to my attention and, had my procedures in internal control related matters been more extensive, other matters might have been noted. The functioning of the internal control was assessed at a point in time, and no assurances can be drawn that the internal control is functioning or will continue to function beyond the point in time at which it was assessed. No opinion is being expressed regarding the internal control taken as a whole.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

PRIOR COMMENTS AND RESOLUTIONS -

FINDING 1: During the fiscal year ended March 31, 2002 the Township received \$16,000 from various residents of Broton Road to pay a portion of the cost of paving. The paving project was completed during the current fiscal year by the Muskegon County Road Commission. The County Road Commission billed the Township \$14,000, which the Township paid, leaving an excess balance of \$2,000 in the Trust & Agency Fund. The excess balance was then transferred to the Highway Fund to be used for "general road" purposes.

RECOMMENDATION: The Township Board should decide the final disposition of the excess cash. The Board should decide if the excess cash should be refunded to the Broton Road residents, prorated on their payment to the Township or retained in the Highway Fund to be used for general road purposes in the Township. The Board's decision should be documented in the minutes.

RESOLUTION: None

FINDING 2: The Township adopted a deficit budget in the Park and Recreation Fund as follows:

Budgeted revenues	\$ -0-
Budgeted expenditures	(33,250)
Budgeted transfer from other fund	<u>17,600</u>
Budgeted decrease in fund balance	(15,650)
Available fund balance	<u>11,124</u>
Budgeted Deficit	\$(4,526)

RECOMMENDATION: The Township should not budget to spend more than the amount available in a fund. The amount available in a fund is the Fund Balance plus any budgeted revenues.

RESOLUTION: A deficit budget was not adopted for any fund for the year ended March 31, 2004.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS -

FINDING 1: The Township has a deficit fund balance of \$5,572. in the Parks and Recreation Fund. The Township is required to file a deficit elimination plan with the Michigan Department of Treasury.

RECOMMENDATION: The Township should file a deficit elimination plan as soon as possible.

FINDING 2: The Parks and Recreation Fund ended the fiscal year with a cash overdraft of \$5,572. in the Common Bank account which is considered to be an unauthorized interfund loan.

RECOMMENDATION: The Township should not allow an overdraft situation in the Common Bank account.

This report is intended solely for the information and use of the Township Board, management, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Richard B. Parker

Certified Public Accountant

May 19, 2005
Holton, Michigan